

Corporation of the City of Windsor

**Hotline Investigation Report
NTS-003-SEP-2019**

Prepared as of January 2020

Limitations and responsibilities

This report was developed in accordance with our engagement letter addendum dated January 24, 2020 and is subject to the terms and conditions included therein.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available at the time we prepared the report. Accordingly, changes in circumstances after the date of this Report could affect the findings outlined herein. We are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. This information has been prepared solely for the use and benefit of and pursuant to a client relationship exclusively with the Corporation of the City of Windsor. PwC disclaims any responsibility to others based on its use and accordingly this information may not be relied upon by anyone other than the Corporation of the City of Windsor.



Contents

Executive summary	3
Allegation information	3
Investigation approach	3
Summary of procedures & findings	3
Summary of procedures & results	5
Allegation #1	5
Allegation #2:	6
Allegation #3:	7
Allegation #4:	8
Allegation #5:	9
Allegation #6:	9
Allegation #7:	10
Recommendations	11
Appendix A: Limitations and responsibilities	12

Executive summary

Allegation information

A complaint was received by the office of the Auditor General which lead to an investigation of the following seven allegations:

Allegation #1	The City of Windsor is promoting a US based company to provide insurance on our Water/Sewer connections. The company is US based and Canadian in name only.
Allegation #2	The City of Windsor is spending money promoting an American company to provide a service that is readily available to homeowners through their standard home insurance coverage as a paid add on.
Allegation #3	It would have been much more straightforward to advise citizens that they should inquire directly to their home owner insurance provider first, before promoting any external service provider.
Allegation #4	The letters citizens receive appear to indicate that the City of Windsor is endorsing this company or that this company is somehow affiliated with the City.
Allegation #5	If you investigate the company's actual 'user complaints', here and in the USA, one can see that their service isn't that good.
Allegation #6	The City of Windsor is getting a commission or kickback from SLWC based on citizen enrollment into the program. The financial arrangement is not disclosed. This is a hidden tax.
Allegation #7	The City of Windsor has shared personal information with this company and that is not appropriate.

Investigation approach

For each allegation we developed investigative procedures. Details of our activities may be found in the Summary of procedures and results section later in this report.

Summary of procedures & findings

Based on the procedures we executed and the results of our testing, a summary of our analysis of each allegation is included below (further details are included in the Summary of Procedures and Results section of this report).

With regards to allegation #1 (*The City of Windsor is promoting a US based company to provide insurance on our Water/Sewer connections. The company is US based and Canadian in name only*) we noted that:

The City is offering an optional Service Line Warranty program to homeowners, and participation is optional and voluntary for homeowners in Windsor. Service Line Warranties of Canada or SLWC is a private company that provides optional water and/or wastewater warranty plans to homeowners. It is an affiliate of Utility Service Partners Private Label, Inc. (USPPL) which is a US based entity.

With regards to allegation #2 (*The City of Windsor is spending money promoting an American company to provide a service that is readily available to homeowners through their standard home insurance coverage as a paid add on*) we noted that:

We detected no evidence to support the allegation that the City of Windsor spent money promoting this company other than using its existing internal resources to update its website, drafting and reviewing the agreement, reviewing and approving the content within the marketing letter, and spending time in carrying out the investigation about the credibility of the company.

While some insurers may provide this endorsement as an option, not all appear to, or some may be more costly. Others may offer more amenable terms. Several insurers are also local legal entities of non-Canadian corporations.

With regards to allegation #3 (*It would have been much more straightforward to advise citizens that they should inquire directly to their home owner insurance provider first, before promoting any external service provider*) we noted that:

We detected no evidence to support that "CoW should have advised citizens that they should inquire directly to their home owner insurance provider first, before promoting any external service provider". Management posted information advising homeowners to contact their existing insurance providers first to obtain such services. As the letter in question is from SLWC, with City agreement, the specific letter from SLWC is not likely the place for such a communication. The City website, where such information is currently located appears more appropriate. If the letter were issued by the City then such an approach may make more sense.

With regards to allegation #4 (*The letters citizens receive appear to indicate that the City of Windsor is endorsing this company or that this company is somehow affiliated with the City*) we noted that:

The City is endorsing SLWC's Water Line and Sewer Program for homeowners within Windsor. The City is not formally affiliated with this entity but is a program partner of SLWC.

With regards to allegation #5 (*If you investigate the company's actual 'user complaints', here and in the USA, one can see that their service isn't that good*) we noted that:

Complaints noted in our analysis appeared to be related to incorrect contact details in marketing letters, privacy concerns, concerns regarding City promoting other companies.

With regards to allegation #6 (*The City of Windsor is getting a commission or kickback from SLWC based on citizen enrollment into the program. The financial arrangement is not disclosed. This is a hidden tax*) we noted that:

As per agreement between CoW and SLWC, the City does have a financial arrangement, an alternative revenue source, with SLWC which will be paid annually to CoW as a percentage of revenue from warranty products collected from homeowners. This financial arrangement was made public via a report presented to the Council. In the future, the City may wish to make such references clearer in City or SLWC communications

With regards to allegation #7 (*The City of Windsor has shared personal information with this company and that is not appropriate*) we noted that:

We detected no evidence to support that the City of Windsor shared personally identifiable private information with SLWC.

Summary of procedures & results

Allegation #1

The City of Windsor is promoting a US based company to provide insurance on our Water/Sewer connections. The company is US based and Canadian in name only.

Procedures and results:

#	Procedure	Results
1.1	Is there such a program? If so, how is the program structured?	<p>IA inquired with management regarding the above noted program. Management indicated that such an arrangement does exist and management has posted detailed information on CoW's website.</p> <p>IA reviewed CoW website and noted that the City is offering an optional Service Line Warranty program to homeowners, and participation is optional and voluntary for homeowners in Windsor. The website states that Service Line Warranties Of Canada (SLWC) is a private company that provides optional water and/or wastewater warranty plans to homeowners. This is not a City program, but rather SLWC is a program partner with the City.</p>
1.2	Was the basis and options for entering into the arrangement made brought to and approved by the City Council?	<p>IA inquired with management regarding the basis and options for entering into such an arrangement. Management indicated that SLWC approached the City of Windsor with the proposal of providing the sewer warranty services to homeowners in Windsor. Management conducted its research and investigation and found that SLWC has been providing such services to more than 30 municipalities across Ontario at that time, including the Town of Tecumseh. City also met with the City of Hamilton management and discussed the arrangement and reviewed the agreement between City of Hamilton and SLWC. Management also indicated that such a move was approved by the City Council.</p> <p>IA also inspected the report to City Council S 2/2018 and noted that the City Council:</p> <ul style="list-style-type: none"> • Endorsed the Local Authority Services (LAS) Sewer and Water Line Warranty Program offered to homeowners by Service Line Warranties of Canada (SLWC); • Directed Administration to promote the program through the City of Windsor's various communication resources including the City's website and social media sites; • Authorized the execution of an agreement with Service Line Warranties of Canada, satisfactory in form to the City Solicitor, in technical content to the City Engineer, and in financial content to the Chief Financial Officer and City Treasurer.
1.3	Was the basis for entering into the arrangement and possibilities made publically available?	<p>IA reviewed the CoW website where the following topics regarding the program are posted:</p> <ul style="list-style-type: none"> • Background information • Who is the Service Line Warranties of Canada? • Why has the City of Windsor chosen to work with SLWC to offer warranty plans? • Is this a City program? • Did the City provide customer info for the marketing letters?

#	Procedure	Results
		<ul style="list-style-type: none"> • Program details • Important information for Windsor residents regarding Private Sewer Replacement Program: • Are the warranty plans considered insurance? • How to sign up (Contact details) <p>As witnessed from the topics, CoW has defined the basis of entering into such an arrangement with SLWC.</p>
1.4	Is this City promoting a US based company?	IA inquired with management whether City is promoting a US based company. Management indicated that as per the recommendations from the City Council, City is endorsing the Program offered to homeowners by Service Line Warranties of Canada (SLWC); and is also promoting the program through the City of Windsor's various communication resources including the City's website and social media platforms.
1.5	Is it inappropriate for the City to have dealings with a US based company of this nature?	IA inquired management team regarding its intent and purpose to promote a US based company. Management indicated that Sewer and Water Line Services options are limited to the homeowners in Windsor other than those provided by the City of Windsor itself. When SLWC approached for endorsement, management considered its proposal and conducted its own research/investigation by inquiring with other municipalities for the services received. Based on assessing its reputation and credibility, a report to the Council was presented for approval.
1.6	Is the entity a US based company? What are the Canadian operations? How does this compare to other similar insurers?	IA reviewed SLWC website and its parents company's website (US based) and noted that Service Line Warranties of Canada (SLWC), is an affiliate of Utility Service Partners Private Label, Inc. (USPPL). SLWC provides water and sewer line repair coverage and in-home plumbing repair services to Canadian homeowners. SLWC works with City officials to garner support for the program before introducing it to the community. The program offered by SLWC is not of insurance in nature but rather a warranty program in exchange of a fixed monthly fee and does not charge a deductible like insurance companies.

Conclusion: City is offering an optional Service Line Warranty program to homeowners, and participation is optional and voluntary for homeowners in Windsor. Service Line Warranties of Canada or SLWC is a private company that provides optional water and/or wastewater warranty plans to homeowners. It is an affiliate of Utility Service Partners Private Label, Inc. (USPPL) which is a US based entity.

Allegation #2:

The City of Windsor is spending money promoting an American company to provide a service that is readily available to homeowners through their standard home insurance coverage as a paid add on.

Procedures and results:

#	Procedure	Results
2.1	Is the City spending money on this program?	<p>IA inquired with management regarding funds spent by the City on this program. Management indicated that CoW is not spending any money to run this program.</p> <p>IA inspected the CoW vendor master file to ensure SLWC was not listed in the system.</p>

#	Procedure	Results
2.2	What costs has the City incurred with regards to this program?	IA inquired with management regarding costs City has incurred for this program. Management indicated that its involvement has been limited to updating the CoW website regarding the SLWC program and providing one time assistance with reviewing and approving the content within the marketing letters used by SLWC.
2.3	Is the insurance expected to be available to homeowners through their standard home insurance as an option?	<p>IA inquired with management whether such options are available to homeowners through their standard home insurance. Management indicated that it has communicated to the homeowners via CoW website that if such an option is available to homeowners through their existing home insurance providers they should obtain such coverage should they wish to.</p> <p>IA reviewed the Cow website and noted the following posting:</p> <p>“Ask your insurance provider if your policy covers repairs to water and sewer line systems. If your policy does not cover water or sewer utility lines, consider the Service Line Warranty program.”</p> <p>IA also inquired with other home insurance providers within Windsor regarding similar services. We noted that such plans are available with limited home insurance providers however the major difference between SLWC and Home insurance providers is that SLWC is a warranty program and does not charge a deductible like insurance companies. Further, not all insurers offer this endorsement or may not offer it at a comparable price.</p> <p>The City is providing an option for citizens to consider but should not be considered a financial advisor.</p>

Conclusion: We detected no evidence to support the allegation that the City of Windsor spent money promoting this company other than using its existing internal resources to update its website, drafting and reviewing the agreement, reviewing and approving the content within the marketing letter, and spending time in carrying out the investigation about the credibility of the company. .

While some insurers may provide this endorsement as an option, not all appear to or some may be more costly. Others may offer more amenable terms. Further, several insurers are also local legal entities of non-Canadian corporations.

Allegation #3:

It would have been much more straightforward to advise citizens that they should inquire directly to their home owner insurance provider first, before promoting any external service provider.

Procedures and results:

#	Procedure	Results
3.1	What steps has the City taken to communicate options to citizens/homeowners?	<p>IA reviewed CoW’s website where the following information has been posted to make homeowners of Windsor aware of available programs:</p> <ul style="list-style-type: none"> • Background information on homeowners responsibilities regarding water and sewerage lines • Information about the Service Line Warranties of Canada? • Reason why City of Windsor choose to work with SLWC to offer warranty plans? • Whether it is a City program or not? • Whether City provided customer information to SLWC for the marketing letters? • Details of program offered by SLWC • Information regarding Private Sewer Replacement Program offered by CoW • Whether warranty plans considered insurance? • Contact details for signing up

#	Procedure	Results
		On this website we noted that the City has the following statement: "Ask your insurance provider if your policy covers repairs to water and sewer line systems. If your policy does not cover water or sewer utility lines, consider the Service Line Warranty program."
3.2	Should the City have communicated options to citizens before promoting an external service provider?	<p>IA inquired with management whether the City communicated water and sewerage related options to homeowners before promoting an external service provider. Management indicated that the Water Line and Sewer options provided by the CoW (Private Sewer Replacement Program) are available since many years and such information has been published on the CoW website along with the services that the City is currently endorsing.</p> <p>In reviewing CoW website, we noted that details for the Private Sewer Replacement Program are posted on CoW website as follows:</p> <p>Private Sewer Replacement Program Financing for Private Sewer Laterals (Drain Connection).</p> <p>Details for the above options are posted on the CoW website.</p>

Conclusion: We detected no evidence to support that "CoW should have advised citizens that they should inquire directly to their home owner insurance provider first, before promoting any external service provider". Management posted information advising homeowners to contact their existing insurance providers first to obtain such services. As the letter in question is from SLWC, with City agreement, the specific letter from SLWC is not likely the place for such a communication. The City website, where such information is currently located appears more appropriate. If the letter were issued by the City then such an approach may make more sense.

Allegation #4:

The letters citizens receive appear to indicate that the City of Windsor is endorsing this company or that this company is somehow affiliated with the City.

Procedures and results:

#	Procedure	Results
4.1	Is the City of Windsor endorsing this company?	IA inquired with management regarding endorsement of SLWC services. Management indicated that as per the Council's approval, the CoW is endorsing SLWC's Water Line and Sewer Program for homeowners for Windsor however it is clearly communicated by the CoW via its website that it is not a City program, but rather SLWC is its program partner, and SLWC is solely responsible for the administration and service of the warranty program. Further, the City wishes to make residents aware of the availability of this product since water and sewer line repairs can be very expensive.
4.2	Is the City of Windsor affiliated with this company?	IA inquired with management regarding its affiliation with SLWC. Management indicated that CoW is not affiliated with SLWC in any manner and also mentioned that this is not a City program, but rather SLWC is a program partner of the City.
4.3	Is affiliation or endorsement of the City of Windsor with this company implied in the letter?	IA inspected the marketing letter and noted that the marketing letter used by SLWC to send to the homeowners, has been endorsed by the CoW as per the recommendation and approval of Council. CoW provided SLWC, along with reviewing and approving the content within the letter. The letter has the signature of the City Engineer.

Conclusion: The City is endorsing SLWC's Water Line and Sewer Program for homeowners within Windsor. The City is not formally affiliated with this entity but is a program partner of SLWC.

Allegation #5:

If you investigate the company's actual 'user complaints', here and in the USA, one can see that their service isn't that good.

Procedures and results:

#	Procedure	Results
5.1	Did the City investigate the background of this company prior to engaging in a relationship with them:	<p>IA inquired with management regarding steps taken before getting into an arrangement with SLWC. Management indicated that CoW conducted its own research/investigation by inquiring with other municipalities for the services received from SLWC including meeting with City of Hamilton management which was already into such an arrangement with SLWC. Based on assessing SLWC's reputation and credibility, a detailed report to the Council was presented for approval.</p> <p>IA inspected both the City's analysis and the agreement between City of Hamilton and SLWC. IA also noted that various municipalities across Ontario have entered into such an arrangement with SLWC. Further, the SLWC program is endorsed by the Association of Municipalities Ontario and maintains an A+ rating with the Better Business Bureau. The report to Council indicates management conduct an analysis and made a recommendation to Council.</p>
5.2	What do the user complaints indicate about this company:	<p>IA inquired with management regarding user complaints regarding SLWC services. Management indicated that since the program has been recently launched in Windsor, management is not aware of any complaints regarding the quality of services received by the homeowners. However several complaints have been received from homeowners regarding receiving marketing letters from SLWC for incorrect contact details documented on such letters.</p> <p>IA also conducted its own research for user complaints regarding SLWC services across other municipalities within Canada and US and noted the majority of the complaints were related to incorrect contact details in marketing letters, privacy concerns, and concerns regarding City/municipality promoting/endorsing companies. IA did not find complaints regarding SLWC service concerns.</p>

Conclusion: Complaints noted in our analysis appeared to be related to incorrect contact details in marketing letters, privacy concerns, concerns regarding City promoting other companies.

Allegation #6:

The City of Windsor is getting a commission or kickback from SLWC based on citizen enrollment into the program. The financial arrangement is not disclosed. This is a hidden tax.

Procedures and results:

#	Procedure	Results
6.1	Is the City of Windsor getting a commission or kick-back from the company? Is this based on citizen enrollment?	<p>IA inquired with management regarding financial arrangement if any with SLWC in exchange of endorsement. Management indicated that a percentage of revenue from warranty products collected from homeowners by SLWC will be remitted to CoW annually. Management indicated that the program officially started in August 2019 and the amount received by CoW as of Nov 2019 is CAD 13.81.</p> <p>IA reviewed the agreement between CoW and SLWC and noted:</p> <ul style="list-style-type: none"> • SLWC will pay to CoW 5% revenue of the warranty products collected from homeowners. • CoW will have the right to conduct an independent audit thereof.

#	Procedure	Results
6.2	Is this financial arrangement disclosed to homeowners? Where?	<p>IA inquired with management whether such an arrangement was communicated to the citizens. Management indicated that the financial arrangement between CoW and SLWC was discussed in the report submitted to the Council. This report is public.</p> <p>IA inspected the Council Report S 2/2018 and noted:</p> <p>“As part of the endorsement of the SLWC Service Line Warranty, the City of Windsor would be required to enter into an agreement with SLWC to use the City of Windsor name, logo and property information for marketing purposes and in return, SLWC would remit to the City of Windsor 5 (five) percent of the revenue from the warranty products collected.</p>
6.3	Is this a hidden tax?	<p>IA inquired with management whether such an arrangement is a hidden tax by the City. Management indicated that it does not classify this as a hidden/additional tax to the homeowners and has explicitly mentioned that participation in this program is optional and voluntary for homeowners in Windsor.</p> <p>This is a revenue source for the City and the opposite of a hidden tax. As per the Council Report, it is the intent of the administration to reinvest any such funds into flood protection information education and to leverage the program for the municipality's own flood protection education program. City Council retains control as to the assignment of any revenues raised through the program.</p>

Conclusion: As per agreement between CoW and SLWC, the City does have a financial arrangement, an alternative revenue source, with SLWC which will be paid annually to CoW as a percentage of revenue from warranty products collected from homeowners. This financial arrangement was made public via a report presented to the Council. In the future, the City may wish to make such references clearer in City or SLWC communications.

Allegation #7:

The City of Windsor has shared personal information with this company and that is not appropriate.

Procedures and results:

#	Procedure	Results
7.1	Has the City provided personal information to the company?	<p>IA inquired with management whether CoW has provided citizens' contact details to other parties, mainly SLWC. Management indicated that CoW only provided the list of postal codes to SLWC that fall within the boundaries of the CoW. Management understands that SLWC purchased addresses from a third party.</p> <p>The CoW checked/reviewed the list purchased by SLWC and removed any addresses within those postal codes which did not fall within the City of Windsor boundaries. While the CoW also noticed that the list purchased was incomplete the City did not add anything nor assist SLWC in any other manner based on the legal advice received from City legal team.</p> <p>IA inspected the email communication and exchange of lists between CoW and SLWC. In addition, inspected internal email communication between City management and the City legal department.</p>

Conclusion: We detected no evidence to support that the City of Windsor shared personally identifiable private information with SLWC.

Recommendations

Finding	Recommendation & Action Plan
<p>1. Consideration to make appropriate disclosure to citizens should be given</p>	
<p>Observation As per agreement between CoW and SLWC, a financial arrangement between CoW and SLWC exists which states that on an annual basis a percentage of revenue from warranty products collected from homeowners will be paid to CoW. This financial arrangement, an alternative revenue source, has been made public via a report presented to the Council. However such disclosure was not made to the citizens explicitly in the letter nor on the City website.</p>	<p>Recommendation Management should ensure consideration of making such references clearer in CoW or Counter party's communications for future events.</p> <p>Management action plan: Administration will consult with the Legal Department and/or the Corporate Communications Division to consider the best course of action to present this option and make it clearer for the residents.</p> <p>Responsible party: Coordinator, Right of Way & Field Services</p> <p>Due date: Q4 2020</p>

Appendix A: Limitations and responsibilities

Limitations inherent to the Internal Auditor's work

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

© 2020 PricewaterhouseCoopers LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP (an Ontario limited liability partnership), which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

